

**SINO BIOPHARMACEUTICAL LIMITED**  
**(THE “COMPANY”)**

**TERMS OF REFERENCE**  
**OF**  
**AUDIT COMMITTEE**  
**(THE “COMMITTEE”)**

**CONSTITUTION**

- The Committee has been set up by the board of directors of the Company (the “Board”) on 19th September, 2000.
- These terms of reference set out the authority and duties of the Committee, which were approved by the Board on 27th June, 2005, and subsequently modified by the Committee on 27th March, 2009, 30th March, 2012, 30th March, 2016 and 29th March, 2019, respectively, whereby the Board has the authority to review and amend the terms of references from time to time.

**MEMBERSHIP**

- Members of the Committee shall be appointed by the Board. The Committee shall comprise non-executive directors only and shall consist of a minimum of three members, at least one of whom is an independent non-executive directors (“INED”) with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The majority of the Committee members must be INEDs under the Listing Rules.
- The chairman of the Committee shall be appointed by the Board and the Audit Committee must be chaired by an INED.
- The company secretary or any person nominated by the Committee shall be the secretary of the Committee.
- A member who wishes to retire or resign from the Committee shall serve sufficient prior written notice to the Company. A member who ceases to be a member of the Board shall immediately and automatically cease to be a member of the Committee.
- A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date the person ceasing : -
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,

whichever is the later.

## COMMITTEE MEETINGS

- Unless otherwise stipulated herein, the meetings and proceedings of the Committee shall be governed by the provisions contained in the Articles of Association of the Company for regulating the meetings and proceedings of directors.
- The quorum for the meeting of the Committee shall be two members.
- The Committee meetings should be held at least twice a year. Additional meetings should be held as the work of the Committee demands. It is expected that the Committee meeting will normally involve the active participation of the Committee members, either in person or through other electronic means of communication.
- The Committee must meet, at least twice a year, with the Company's auditors.
- Arrangements should be in place to ensure that all members are given an opportunity to include matters in the agenda for regular Committee meetings.
- The external auditors may request a meeting as they consider necessary.
- The financial controller, qualified accountant and a representative of the external auditor may attend meetings of the Committee. Other members of the Board shall also have the right of attendance.
- The Committee shall ensure that sufficient opportunities exist for its members to meet separately with the external auditor and management of the Company, and to meet in private with only the Committee members present.
- Seven days' notice or such shorter notice as may be agreed by members will be given by the secretary specifying the place, date, time and agenda of the meeting.
- Members should have access to the advice and services of the secretary of the Committee with a view to ensuring that Committee procedures, and all applicable rules and regulations, are complied with.
- If a member has a conflict of interest in a matter to be considered by the Committee which the Committee has determined to be material, the matter should be dealt with by way of Committee meeting and the interested member shall not vote at the relevant meeting of the Committee.
- Minutes of Committee meetings should be kept by the secretary of the Committee and such minutes should be open for inspection at any reasonable time on reasonable notice by any member or director. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable time after the meeting is held.

## **AUTHORITY**

- The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorised by the Board to obtain external legal or other independent professional advice, at the Company's expense, and to invite the attendance of external professionals with relevant experience and expertise if it considers necessary.
- The Committee should be provided with separate independent professional advice to assist the relevant member(s) with sufficient resources to discharge his/their duties.
- The Committee shall report to the Board any suspected frauds and irregularities, failures of risk management and internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

## **DUTIES**

- To communicate between other directors and the external auditors as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- To assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls of the group, and as to the adequacy of the external and internal audits.
- To review arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, risk management, internal control or other matters, and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.
- To act as the key representative body for overseeing the Company's relations with the external auditors.
- The Committee should be provided with sufficient resources to discharge its duties.
- Relationship with the Company's auditors : -
  - (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to handle any questions on the resignation or dismissal of the external auditor;

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
  - (c) to develop and implement policy on engaging external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- Review of financial information of the Company : -
- (a) To monitor integrity of financial statements of the Company and the Company's annual report and accounts and interim report and to review significant financial reporting judgements contained in them. In reviewing these reports, the Committee should focus particularly on : -
    - (i) any changes in accounting policies and practices;
    - (ii) major judgmental areas;
    - (iii) significant adjustments resulting from audit;
    - (iv) the going concern assumptions and any qualifications;
    - (v) compliance with accounting standards; and
    - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.
  - (b) In regard to the above : -
    - (i) members of the Committee should liaise with the Board, senior management and the person appointed as the Company's qualified accountant; and
    - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts. It should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

- Oversight of the Company's financial reporting system, risk management and internal control systems : -
  - (a) To review the Company's financial controls and risk management and internal control systems;
  - (b) To discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems;
  - (c) To consider major investigations / findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
  - (d) To ensure co-ordination between the internal audit function and external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
  - (e) To review the group's financial and accounting policies and practices;
  - (f) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
  - (g) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (h) To report to the Board on the matters contained in the Corporate Governance Code of the Listing Rules in relation to the Committee; and
  - (i) To consider other topics, as defined by the Board.

## **REPORTING PROCEDURES**

- The secretary of the Committee shall circulate the minutes of Committee meetings, reports of the Committee and relevant information to the Board.
- The Committee should report back to the Board on their findings and recommendations or decisions made, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).